

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Charter Township of Breitung</b>	County <b>Dickinson</b>
Audit Date <b>12/31/05</b>	Opinion Date <b>3/20/06</b>	Date Accountant Report Submitted to State: <b>5/30/06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) <b>Anderson, Tackman &amp; Company, PLLC</b>			
Street Address <b>901 Ludington Street</b>	City <b>Escanaba</b>	State <b>MI</b>	ZIP <b>49829</b>
Accountant Signature <b>Karen C. Pascoe, CPA</b>			

**CHARTER TOWNSHIP OF BREITUNG**  
**DICKINSON COUNTY, MICHIGAN**

**BASIC FINANCIAL STATEMENTS**

**December 31, 2005**

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**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
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## INDEPENDENT AUDITOR'S REPORT

Members of the Township Board  
Charter Township of Breitung  
Dickinson County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Charter Township of Breitung, Dickinson County, Michigan as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Breitung's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Charter Township of Breitung, Dickinson County, Michigan as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2006, on our consideration of the Charter Township of Breitung's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information on pages 3 and 41, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Breitung, Dickinson County, Michigan's basic financial statements. The combining nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tackman & Company P.L.C.*

Anderson, Tackman & Company, PLC  
Certified Public Accountants

March 20, 2006

## **MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)**

Our discussion and analysis of Breitung Township's financial performance provides an overview of the Township's financial activities for the year ended December 31, 2005. Please read it in conjunction with the Township's financial statements, which begin on page 11.

### **FINANCIAL HIGHLIGHTS**

- Net assets for the Township were reported at \$5,421,552 for 2005 and were \$5,077,759 for 2004, an increase of \$343,793. For 2005, net assets for our business-type activities were \$1,491,818 or 28% of total net assets, while net assets in our governmental activities were \$3,929,734 or 72% of total net assets.
- The Township's expenses for the year totaled \$1,876,164, while revenues from all sources totaled \$2,219,957, resulting in an increase in net assets of \$343,793. In 2004, expenses totaled \$2,004,670, while revenues from all sources totaled \$1,654,941, resulting in a decline in net assets of \$349,729.
- In the Township's business type activities, total revenues were \$317,158, or 14% of total revenue, while expenses totaled \$194,687, or 10% of total expenses. This provided excess revenue over expenses of \$122,471. In 2004, total revenues were \$317,577, or 19% of total revenue, while expenses totaled \$247,314, or 12% of total expenses. This provided excess revenue over expenses of \$70,263.
- The General fund reported an increase in fund balance of \$16,069 (or 1.3%) compared to a decline of \$748,482 (or 38%) in 2004. This was after revenues of \$1,865,725 compared to \$1,305,559 in 2005, and expenditures of \$1,727,304 compared to expenses of \$1,881,428 in 2004.

### **USING THIS REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 11 and 12) provide information about the activities of the Township as a whole and present a longer term view of the Township's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The remaining statement provides financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of government.

## **MANAGEMENT DISCUSSION AND ANALYSIS (continued):**

### **Reporting the Township as a whole**

#### **Statement of Net Assets and the Statement of Activities**

Our analysis of the Township as a whole begins on page 6. One of the most important questions asked about the Township's finances; "Is the Township as a whole better off or in worse condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting, used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's net assets and changes in them. You can think of the Township's net assets- the difference between assets and liabilities- as one way to measure the Township's financial health, or *financial position*. Over time, *increases or decreases* in the Township's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's property tax base to assess the *overall financial health* of the Township.

In the Statement of Net Assets and the Statement of Activities, we divide the Township into two categories of activities:

- Governmental activities - Most of the Township's basic services are reported here including legislative, public safety, highway and transportation, health and welfare, recreation and cultural, cemetery, and general administration. Property taxes and state shared revenues make up the majority of revenue for these activities.
- Business-type activities - The Township charges customers to provide water utility services.

### **Reporting the Township's Most Significant Funds**

#### **Fund Financial Statements**

Our analysis of the Township's Major Funds begins on page 8. The fund financial statements begin on page 13 and provide detailed information on the most significant funds - not the Township as a whole. Some funds are required to be established by State law, and by bond covenants. However, the Township Board of Trustees establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal requirements for certain taxes, grants, and other money. The Township's two kinds of funds - governmental and proprietary - use different accounting methods.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued):

- *Governmental funds* - Most of the Township's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.
- *Proprietary funds* - When the Township charges customers for the services it provides - whether to outside customers or to other units of the Township - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Township's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for other Township programs and activities.

### **The Township as a Trustee**

The Township is the trustee, or *fiduciary*, for tax receipts and other collections, which are collected for other agencies and held for a periodic payment to those agencies. The Township's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 20. We exclude these funds from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purpose.



## MANAGEMENT DISCUSSION AND ANALYSIS (continued):

### The Township as a Whole

The Township's net combined assets increased by \$343,793.

**Table 1**  
**Net Assets**

	Governmental Activities		Business-Type Activities	
	2005	2004	2005	2004
Assets:				
Current and other assets	\$ 2,879,023	\$ 2,799,135	\$ 417,296	\$ 295,097
Capital assets (net)	2,483,390	2,429,318	1,448,834	1,480,004
Total Assets	<u>5,362,413</u>	<u>5,228,453</u>	<u>1,866,130</u>	<u>1,775,101</u>
Liabilities:				
Long-term debt outstanding	293,880	363,314	373,881	404,447
Other liabilities	1,138,799	1,156,727	431	1,307
Total Liabilities	<u>1,432,679</u>	<u>1,520,041</u>	<u>374,312</u>	<u>405,754</u>
Net Assets:				
Invested in capital assets, net of related debt	2,189,510	2,066,004	1,074,953	1,075,557
Nonexpendable:				
Cemetery perpetual care	129,667	127,042	-	-
Unrestricted	1,610,557	1,515,366	416,865	293,790
Total net assets	<u>\$ 3,929,734</u>	<u>\$ 3,708,412</u>	<u>\$ 1,491,818</u>	<u>\$ 1,369,347</u>

Net assets of the Township's governmental activities stood at \$3,929,734. Unrestricted net assets, the part of net assets that could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$1,610,557.

Net assets in our business-type activities stood at \$1,491,818. Unrestricted net assets for our business-type activities were \$416,865.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities		Business-Type Activities	
	2005	2004	2005	2004
Revenues:				
Program Revenues:				
Charges for services	\$ 50,147	\$ 45,419	\$ 309,322	\$ 305,696
Operating grants	9,305	7,655	-	5,920
Capital grants	104,838	-	-	-
General Revenues:				
Property taxes	1,264,139	818,930	-	-
State revenue sharing	411,996	405,653	-	-
Contributions to permanent fund	-	2,496	-	-
Unrestricted investment earnings	48,580	36,822	7,836	5,961
Miscellaneous	13,794	20,389	-	-
Total Revenues	<u>1,902,799</u>	<u>1,337,364</u>	<u>317,158</u>	<u>317,577</u>
Program Expenses:				
Legislative	45,775	61,237	-	-
General government	734,871	418,286	-	-
Public Safety	365,641	333,857	-	-
Highway and transportation	68,941	140,694	-	-
Health and welfare	399,446	380,638	-	-
Recreation and culture	58,483	72,778	-	-
Cemetery	(5,808)	2,184	-	-
Other	-	337,095	-	-
Interest on long-term debt	14,128	17,055	-	-
Water utility	-	-	194,687	240,846
Total Expenses	<u>1,681,477</u>	<u>1,763,824</u>	<u>194,687</u>	<u>240,846</u>
Excess (deficiency) before transfers and contributions	221,322	(426,460)	122,471	76,731
Transfers	<u>-</u>	<u>6,468</u>	<u>-</u>	<u>(6,468)</u>
Increase (decrease) in net assets	221,322	(419,992)	122,471	70,263
Net assets - beginning	<u>3,708,412</u>	<u>4,128,404</u>	<u>1,369,347</u>	<u>1,299,084</u>
Net assets - ending	<u>\$ 3,929,734</u>	<u>\$ 3,708,412</u>	<u>1,491,818</u>	<u>\$ 1,369,347</u>

## MANAGEMENT DISCUSSION AND ANALYSIS (continued):

### Governmental Activities

Revenues for the Township's governmental activities totaled \$1,902,799, while expenses were \$1,681,477. The excess of revenues over expenditures was \$221,322. Table three below reflects the cost of each of the Township's five largest activities; General government, public safety, highway and transportation, health and welfare, and other, as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

**Table 3**  
**Government Activities**

	Total Cost of Services		Net Cost of Services	
	2005	2004	2005	2004
General government	\$ 734,871	\$ 755,382	\$ 709,810	\$ 730,081
Public safety	365,641	333,857	259,212	331,606
Highway and transportation	68,941	140,694	68,941	140,694
Health and welfare	399,446	380,638	372,487	359,288
Recreation and cultural	58,483	72,778	58,483	72,778
Total	<u>\$ 1,627,382</u>	<u>\$ 1,683,349</u>	<u>1,468,933</u>	<u>\$ 1,634,447</u>

### Business-Type Activities

The Township's business-type activities net assets totaled \$1,491,818, with an increase in the current year of \$122,471.

## THE TOWNSHIP'S FUNDS

The focus of the governmental funds of the Township is to provide information on near-term inflows, outflows and balances in spendable resources. The fund information is useful to determine short-term financing requirements and can be used to measure the Township's net resources available for spending at the end of the fiscal year.

For the current fiscal year the Township's governmental funds reported total fund balance of \$1,545,119, in which \$1,415,452 is unreserved. The General Fund's fund balance is \$1,257,846, with \$21,201 being designated (See Note – C).

## MANAGEMENT DISCUSSION AND ANALYSIS (continued):

### General Fund Budgetary Highlights

Over the course of the year, the budget was amended several times. These amendments were made to recognize changes to revenue or expenditures. The budgeted revenues net change from the original budget to the final amended budget amounted to \$102,357, representing an increase of 5.8%. The final amended budgeted expenditures increased by \$223,411 over the original budget, representing an increase of 14.2%. The original budget projected an increase in fund balance in the amount of \$1,511, while the actual results showed an increase to fund balance of \$16,069.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2005, the Township had \$3,932,225, net of accumulated depreciation, invested in a variety of capital assets including land and improvements, buildings and improvements, equipment and furniture, vehicles, and infrastructure relating to the water systems.

**Table 4**  
**Capital Assets at Year-End**  
**(Net of accumulated depreciation)**

	Governmental Activities		Business-Type Activities	
	2005	2004	2005	2004
Land	\$ 383,990	\$ 328,028	\$ -	\$ -
Land improvements	44,270	27,270	-	-
Building and improvements	1,472,111	1,502,008	-	-
Equipment and furniture	206,694	116,978	-	-
Vehicles	376,325	455,034	-	-
Infrastructure - water systems	-	-	1,448,835	1,480,004
Total	<u>\$ 2,483,390</u>	<u>\$ 2,429,318</u>	<u>\$ 1,448,835</u>	<u>\$ 1,480,004</u>

## MANAGEMENT DISCUSSION AND ANALYSIS (continued):

### DEBT

At year-end the Township had \$667,761 in notes and bonds outstanding.

**Table 5**  
**Outstanding Debt at Year-End**

	Governmental Activities		Business-Type Activities	
	2005	2004	2005	2004
Installment Purchase Agreement: DPW Building	\$ 293,880	\$ 363,314	\$ -	\$ -
Bonds Payable: Refinancing of 1996 Water Bonds	-	-	373,881	404,447
Totals	<u>\$ 293,880</u>	<u>\$ 363,314</u>	<u>\$ 373,881</u>	<u>\$ 404,447</u>

The State of Michigan limits the amount of general obligation debt that local units of government can issue to 10% of the current equalized valuation, including TIF valuations. The Township's outstanding general obligation debt of \$667,761 is well below statutory limits.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Township Board and Township management will consider many factors when setting the fiscal year budget, tax rates and fees that will be charged for services. One of these factors is the uncertainty of State revenue sharing cuts as well as other changes in State government which will affect the way programs and services are provided and funded. The economy in the Breitung Township area appears to be flat in relation to job growth and job loss. The cost of living in the area is below the national and State average, but real estate values continue to climb. The growth of other costs continue to rise at the national inflation rate or lower, with the exception of health care costs which continue to be a concern for the Township and local employers. These factors are taken into account when adopting the 2006 budget.

### CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and customers, as well as investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the Township Superintendent at the Breitung Township Hall, 3851 Menominee Street, Quinnesec, Michigan 49876.

**CHARTER TOWNSHIP OF BREITUNG**

**STATEMENT OF NET ASSETS**

**December 31, 2005**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents			
Restricted	\$ 150,868	\$ -	\$ 150,868
Unrestricted	1,556,436	350,278	1,906,714
Receivables :			
Utilities	-	67,018	67,018
Taxes	1,036,307	-	1,036,307
Due from other governmental units	135,412	-	135,412
Total current assets	<u>2,879,023</u>	<u>417,296</u>	<u>3,296,319</u>
Noncurrent assets:			
Capital assets	3,644,471	2,093,730	5,738,201
Accumulated depreciation	(1,161,081)	(644,896)	(1,805,977)
Total noncurrent assets	<u>2,483,390</u>	<u>1,448,834</u>	<u>3,932,224</u>
Total assets	<u>\$ 5,362,413</u>	<u>\$ 1,866,130</u>	<u>\$ 7,228,543</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 57,465	\$ 431	\$ 57,896
Accrued interest	5,387	-	5,387
Deferred revenue	1,036,307	-	1,036,307
Other liabilities	6,637	-	6,637
Compensated absences	8,251	-	8,251
Bonds payable	72,715	31,834	104,549
Total current liabilities	<u>1,186,762</u>	<u>32,265</u>	<u>1,219,027</u>
Noncurrent liabilities:			
Compensated absences	24,752	-	24,752
Bonds payable	221,165	342,047	563,212
Total noncurrent liabilities	<u>245,917</u>	<u>342,047</u>	<u>587,964</u>
Total liabilities	<u>\$ 1,432,679</u>	<u>\$ 374,312</u>	<u>\$ 1,806,991</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 2,189,510	\$ 1,074,953	\$ 3,264,463
Nonexpendable:			
Cemetery perpetual care	129,667	-	129,667
Unrestricted	<u>1,610,557</u>	<u>416,865</u>	<u>2,027,422</u>
Total net assets	<u>\$ 3,929,734</u>	<u>\$ 1,491,818</u>	<u>\$ 5,421,552</u>

See accompanying notes to the financial statements

**CHARTER TOWNSHIP OF BREITUNG**  
**STATEMENT OF ACTIVITIES**

**For the Year Ended December 31, 2005**

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets		
	Primary Government				Primary Government		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
Legislative	\$ 45,775	\$ -	\$ -	\$ -	\$ (45,775)	\$ -	\$ (45,775)
General government	734,871	22,378	2,683	-	(709,810)	-	(709,810)
Public safety	365,641	94	1,497	104,838	(259,212)	-	(259,212)
Highway & transportation	68,941	-	-	-	(68,941)	-	(68,941)
Health & welfare	399,446	25,300	1,659	-	(372,487)	-	(372,487)
Recreation & cultural	58,483	-	-	-	(58,483)	-	(58,483)
Cemetery	(5,808)	2,375	3,466	-	11,649	-	11,649
Interest on long-term debt	14,128	-	-	-	(14,128)	-	(14,128)
Total governmental activities	1,681,477	50,147	9,305	104,838	(1,517,187)	-	(1,517,187)
Business-type activities:							
Water utility	194,687	309,322	-	-	-	114,635	114,635
Total primary government	\$ 1,876,164	\$ 359,469	\$ 9,305	\$ 104,838	\$ (1,517,187)	\$ 114,635	\$ (1,402,552)
General revenues:							
Property taxes					1,264,139	-	1,264,139
State revenue sharing					411,996	-	411,996
Unrestricted investment earnings					48,580	7,836	56,416
Miscellaneous					13,794	-	13,794
Total general revenues and transfers					1,738,509	7,836	1,746,345
Changes in net assets					221,322	122,471	343,793
Net assets - beginning					3,708,412	1,369,347	5,077,759
Net assets - ending					\$ 3,929,734	\$ 1,491,818	\$ 5,421,552

See accompanying notes to the financial statements

**CHARTER TOWNSHIP OF BREITUNG**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2005**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and equivalents:			
Restricted	\$ 21,201	\$ 129,667	\$ 150,868
Unrestricted	1,163,588	157,683	1,321,271
Receivables:			
Taxes	1,036,307	-	1,036,307
Due from other governmental units	135,412	-	135,412
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 2,356,508</u>	<u>\$ 287,350</u>	<u>\$ 2,643,858</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 55,718	\$ 77	\$ 55,795
Deferred revenue	1,036,307	-	1,036,307
Other liabilities	6,637	-	6,637
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>1,098,662</u>	<u>77</u>	<u>1,098,739</u>
Fund balances:			
Reserved for:			
Cemetery perpetual care	-	129,667	129,667
Unreserved:			
Designated	21,201	-	21,201
Undesignated	1,236,645	-	1,236,645
Unreserved, reported in non-major:			
Special revenue funds	-	157,606	157,606
	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>1,257,846</u>	<u>287,273</u>	<u>1,545,119</u>
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 2,356,508</u>	<u>\$ 287,350</u>	<u>\$ 2,643,858</u>

See accompanying notes to the financial statements



**CHARTER TOWNSHIP OF BREITUNG**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**December 31, 2005**

Total fund balances for governmental funds	\$ 1,545,119
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Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital assets	2,408,037	
Accumulated depreciation	<u>(369,304)</u>	
Total capital assets, net of depreciation		2,038,733

An internal service fund is used by the Township to charge the cost of equipment usage to individual departments of the Township which are not accounted for as an enterprise activity. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

678,152

Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.

Accrued interest on long-term debt	\$ (5,387)	
Bonds payable	(293,880)	
Compensated absences	<u>(33,003)</u>	<u>(332,270)</u>

Total net assets of governmental activities		<u><u>\$ 3,929,734</u></u>
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See accompanying notes to the financial statements

**CHARTER TOWNSHIP OF BREITUNG**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2005**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>			
Federal sources	\$ 104,838	\$ -	\$ 104,838
State sources	411,996	1,359	413,355
Taxes	1,264,139	-	1,264,139
Charges for services	22,361	25,600	47,961
License and permits	17	-	17
Interest and rents	48,580	7,946	56,526
Other	13,794	2,169	15,963
	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	\$ 1,865,725	\$ 37,074	\$ 1,902,799
	<u>          </u>	<u>          </u>	<u>          </u>
<b>EXPENDITURES:</b>			
Legislative	\$ 45,775	\$ -	\$ 45,775
General government	804,122	-	804,122
Public safety	421,147	2,200	423,347
Highway and transportation	68,941	-	68,941
Health and welfare	305,015	52,509	357,524
Recreation and cultural	82,304	-	82,304
Capital outlay	-	5,389	5,389
Debt service:			
Principal	-	69,435	69,435
Interest and other charges	-	15,419	15,419
	<u>          </u>	<u>          </u>	<u>          </u>
Total expenditures	1,727,304	144,952	1,872,256
	<u>          </u>	<u>          </u>	<u>          </u>
Excess revenues (expenditures)	138,421	(107,878)	30,543
	<u>          </u>	<u>          </u>	<u>          </u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	59,648	185,216	244,864
Transfers out	(182,000)	(62,864)	(244,864)
	<u>          </u>	<u>          </u>	<u>          </u>
Total other financing sources (uses)	(122,352)	122,352	-
	<u>          </u>	<u>          </u>	<u>          </u>
Net changes in fund balances	16,069	14,474	30,543
	<u>          </u>	<u>          </u>	<u>          </u>
Fund balances - beginning	1,241,777	272,799	1,514,576
	<u>          </u>	<u>          </u>	<u>          </u>
Fund balances - ending	\$ 1,257,846	\$ 287,273	\$ 1,545,119
	<u>          </u>	<u>          </u>	<u>          </u>

See accompanying notes to the financial statements

**CHARTER TOWNSHIP OF BREITUNG**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2005**

Net changes in fund balances - total governmental funds	\$ 30,543
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$199,455) exceeded depreciation expense (\$62,173).	137,282
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An internal service fund is used by the Township to charge the cost of equipment usage to individual departments of the Township which are not accounted for as an enterprise activity. The net revenue (expense) of the internal service fund is reported with governmental activities.	(16,477)
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Repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets.

Bond principal repayments	69,435
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Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences	(752)	
Accrued interest on bonds	1,291	539
Changes in net assets of governmental activities		\$ 221,322

See accompanying notes to the financial statements

**CHARTER TOWNSHIP OF BREITUNG**

**STATEMENT OF NET ASSETS**

**PROPRIETARY FUNDS**

**December 31, 2005**

	East Kingsford Water	Quinnesec Water	Total Enterprise Funds	Internal Service Fund
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents:				
Unrestricted	\$ 96,881	\$ 253,397	\$ 350,278	\$ 235,165
Utilities receivable	40,907	26,111	67,018	-
Total current assets	137,788	279,508	417,296	235,165
Noncurrent assets:				
Capital assets:				
Less accumulated depreciation	876,975	571,859	1,448,834	444,657
Total noncurrent assets	876,975	571,859	1,448,834	444,657
Total assets	<u>\$ 1,014,763</u>	<u>\$ 851,367</u>	<u>\$ 1,866,130</u>	<u>\$ 679,822</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 147	\$ 284	\$ 431	\$ 1,670
Bonds payable	31,834	-	31,834	-
Total current liabilities	31,981	284	32,265	1,670
Noncurrent liabilities:				
Bonds payable	342,047	-	342,047	-
Total noncurrent liabilities	342,047	-	342,047	-
Total liabilities	<u>\$ 374,028</u>	<u>\$ 284</u>	<u>\$ 374,312</u>	<u>\$ 1,670</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 503,094	\$ 571,859	\$ 1,074,953	\$ 444,657
Unrestricted	137,641	279,224	416,865	233,495
Total net assets	<u>\$ 640,735</u>	<u>\$ 851,083</u>	<u>\$ 1,491,818</u>	<u>\$ 678,152</u>

See accompanying notes to the financial statements

**CHARTER TOWNSHIP OF BREITUNG**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2005**

	East Kingsford Water	Quinnebec Water	Total Enterprise Funds	Internal Service Fund
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 151,785	\$ 121,137	\$ 272,922	\$ -
Rental	14,000	22,400	36,400	129,000
Other	-	-	-	3,719
Total operating revenue	\$ 165,785	\$ 143,537	\$ 309,322	\$ 132,719
<b>OPERATING EXPENSES:</b>				
Salaries and fringes	\$ 31,841	\$ 32,604	\$ 64,445	\$ 30,091
Purchased supplies	-	-	-	15,898
Contracted services	1,916	819	2,735	10,446
Repairs and maintenance supplies	2,364	2,200	4,564	-
Printing and publishing	566	566	1,132	-
Purchased water	45,689	-	45,689	-
Public utilities	-	7,206	7,206	-
Rentals	7,748	7,748	15,496	803
Memberships and dues	1,408	1,408	2,816	-
Conferences and workshops	102	102	204	-
Repairs and maintenance	-	682	682	6,744
Operating supplies	-	-	-	202
Capital outlay	2,859	2,859	5,718	884
Depreciation	15,916	15,253	31,169	90,283
Other	397	-	397	417
Total operating expenses	110,806	71,447	182,253	155,768
Operating income (loss)	54,979	72,090	127,069	(23,049)
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Interest income	2,240	5,596	7,836	6,572
Interest and other charges	(12,434)	-	(12,434)	-
Total nonoperating revenue (expense)	(10,194)	5,596	(4,598)	6,572
Change in net assets	44,785	77,686	122,471	(16,477)
Total net assets - beginning	595,950	773,397	1,369,347	694,629
Total net assets - ending	\$ 640,735	\$ 851,083	\$ 1,491,818	\$ 678,152

See accompanying notes to the financial statements

**CHARTER TOWNSHIP OF BREITUNG**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended December 31, 2005

	East Kingsford Water	Quinnesec Water	Total Enterprise Funds	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 150,981	\$ 124,416	\$ 275,397	\$ -
Payments to suppliers	(63,367)	(23,929)	(87,296)	(35,080)
Payments for wages and related benefits	(31,933)	(32,730)	(64,663)	(30,356)
Other receipts (payments)	14,000	22,400	36,400	133,144
Net cash provided (used) by operating activities	69,681	90,157	159,838	67,708
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of fixed assets	-	-	-	(7,073)
Principal paid on debt instruments	(30,566)	-	(30,566)	-
Interest paid on debt instruments	(12,434)	-	(12,434)	-
Net cash provided (used) by capital and related financing activities	(43,000)	-	(43,000)	(7,073)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest earnings	2,240	5,596	7,836	6,572
Net increase (decrease) in cash and equivalents	28,921	95,753	124,674	67,207
Cash and equivalents, beginning of year	67,960	157,644	225,604	167,958
Cash and equivalents, end of year	\$ 96,881	\$ 253,397	\$ 350,278	\$ 235,165
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 54,979	\$ 72,090	\$ 127,069	\$ (23,049)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	15,916	15,253	31,169	90,283
Changes in assets and liabilities:				
(Increase) decrease in receivables	(804)	3,279	2,475	425
Increase (decrease) in accounts payable	(318)	(339)	(657)	314
Increase (decrease) in other liabilities	(92)	(126)	(218)	(265)
Net cash provided by operating activities	\$ 69,681	\$ 90,157	\$ 159,838	\$ 67,708

See accompanying notes to the financial statements

**CHARTER TOWNSHIP OF BREITUNG**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**AGENCY FUNDS**  
**December 31, 2005**

	Tax Collection Fund
	<hr/>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 223,469
	<hr/> <hr/>
<b><u>LIABILITIES</u></b>	
Due to other units governmental units	\$ 223,469
	<hr/> <hr/>

See accompanying notes to the financial statements

## CHARTER TOWNSHIP OF BREITUNG

### NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (1) REPORTING ENTITY

The Charter Township of Breitung was organized in 1877 and voted to become a Charter Township in 1978. The Township operates under an elected seven-member Board, which includes a supervisor, clerk, treasurer, and four trustees.

For financial reporting purposes, in conformance with GASB Statement 14, the Township's basic financial statements include the accounts of all Township operations for which the Township exercises oversight responsibility. The Township provides services in the following functional areas: liquor law enforcement, fire protection, sanitation, public works, water utility needs, and township enrichment.

Based on the foregoing criteria, the following organizations are not included in the financial report of the Charter Township of Breitung:

Central Landfill Authority – The Authority operates autonomously under intergovernmental service agreements.

Breitung Township Schools – The District operates autonomously as a separate governmental entity.

The accounting policies of the Charter Township of Breitung conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

##### (2) BASIS OF PRESENTATION

###### Government-Wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the City as a whole. They include all funds of the Township except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to



## CHARTER TOWNSHIP OF BREITUNG

### NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005

#### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

customers or applicants who purchase, use or directly benefit from goods or services provided by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

##### **Fund Financial Statements:**

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the Township are considered major if it meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The Township reports the following as major governmental funds in accordance with the above criteria:

The General Fund as described below.

The Township reports the following as major enterprise funds in accordance with the above criteria:

East Kingsford Water Fund, which is used to account for water utility services provided to East Kingsford.

Quinnesec Water Fund, which accounts for water utility services provided to Quinnesec.

## **CHARTER TOWNSHIP OF BREITUNG**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

December 31, 2005

#### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The funds of the Township are described below:

##### **Governmental Funds**

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Permanent Fund – The Cemetery Perpetual Care Fund is the Township's only permanent fund. The principal portion of this fund must stay intact, but the interest earnings are used to provide care for the cemetery.

##### **Proprietary Funds**

Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes. The Township applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements.

Internal Service Fund – The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Township, or to other governments, on a cost-reimbursement basis. In the government-wide financial statements, the Motor Pool Fund is the Township's only internal service fund and is included with the governmental activities and accounts for equipment usage activity used by various Township departments.

# **CHARTER TOWNSHIP OF BREITUNG**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

December 31, 2005

### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Fiduciary Funds**

Agency Fund - The Tax Collection Fund is the Township's only agency fund and is used to account for assets held by the Township in a trustee capacity or as an agent for individuals or other governments. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

#### **(3) MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

#### **Measurement Focus**

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-type activities are presented using the economic resource measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.
- b. The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

# CHARTER TOWNSHIP OF BREITUNG

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Basis of Accounting**

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

#### **(4) ASSETS, LIABILITIES AND NET ASSETS/FUND BALANCE**

- a. Cash and Equivalents – The Township’s cash and cash equivalents as reported in the Statement of Cash Flows and the Statement of Net Assets are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less.
- b. Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectable. The Township has not recorded an allowance for uncollectible as the Township does not anticipate any material uncollectable accounts.
- c. Capital Assets – The accounting and reporting treatment applied to property plant and equipment depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year.

# CHARTER TOWNSHIP OF BREITUNG

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Government-wide Statements*

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

Land improvements	10 – 15 years
Buildings and improvements	40 – 50 years
Equipment and furniture	5 – 15 years
Vehicles	5 – 15 years
Infrastructure	10 – 75 years

#### *Fund Financial Statements*

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

- d. Restricted Assets – Restricted assets include cash and equivalents, which have been reserved for the principal portion of the Cemetery Perpetual Care Fund non-expendable cash.
- e. Long-Term Debt – The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists of bonds payable.

## CHARTER TOWNSHIP OF BREITUNG

### NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

- f. Compensated Absences – The Township's policies regarding vacation and sick time permits employees to accumulate earned but unused vacation and sick time. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while proprietary funds report the liability as it is incurred.
- g. Deferred Revenues – In the government-wide statements and proprietary fund financial statements deferred revenue is recognized when cash, receivables or other assets are received prior to their being earned. In the governmental fund statements deferred revenue is recognized when revenue is unearned or unavailable. The Township has reported deferred revenue of \$1,036,307 in the General Fund for property taxes levied in December 2005 for use in 2006. These amounts have been deemed measurable, but not currently available.
- h. Equity Classification

#### *Government-Wide Statements*

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.

# CHARTER TOWNSHIP OF BREITUNG

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

#### *Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated, if appropriate. Proprietary fund equity is classified the same as in the government-wide statements.

### (5) REVENUES AND EXPENDITURES/EXPENSES

#### **Revenues**

##### *Government-Wide Statements*

In the government-wide Statement of Activities, revenues are segregated by activity (governmental or business-type), and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues, includes all revenues which do not meet the criteria of program revenues and include revenues such as property taxes, State revenue sharing payments and interest earnings.

##### *Fund Statements*

In the governmental fund statements revenues are reported by source, such as federal sources, state sources and taxes. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the Township’s policy to use restricted resources first.

# CHARTER TOWNSHIP OF BREITUNG

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Expenses/Expenditures**

##### *Government-Wide Statements*

In the government-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

##### *Fund Statements*

In the governmental fund financial statements expenditures are classified by character; current, debt service and capital outlay.

In the proprietary fund financial statements expenses are classified by operating and nonoperating and are subclassified by function such as salaries, supplies and contracted services.

#### **Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing or investing activities.

#### **Other Financing Sources (Uses)**

The transfers of cash between the various Township funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

### **(6) OTHER SIGNIFICANT ACCOUNTING POLICIES**

#### **Interfund Activity**

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities, and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.



## **CHARTER TOWNSHIP OF BREITUNG**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

December 31, 2005

#### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

In the fund financial statements, transfers represent flows of assets without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Assets, except for the residual amounts due between governmental and business-type activities.

#### **Budgets and Budgetary Accounting**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to September 1, the Township Superintendent submits to the Township Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Prior to January 1, the budget is legally enacted through passage of an ordinance.
- c. The Township Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Township Board.
- d. Budgets are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Township Board in December. Individual amendments were not material in relation to the original appropriations which were amended.
- e. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control. Any unexpended appropriations lapse at the end of the fiscal year.

# CHARTER TOWNSHIP OF BREITUNG

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Property Taxes

Property taxes are accrued in the year in which they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county delinquent tax rolls.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### NOTE B – CASH AND EQUIVALENTS

The composition of cash and equivalents as reported in the government-wide Statement of Net Assets is presented below:

Imprest Cash		\$	400
Deposits:			
Checking accounts	\$	137,522	
Savings accounts		301,404	
Certificate of Deposit		<u>1,841,725</u>	<u>2,280,651</u>
Total cash and equivalents		\$	<u><u>2,281,051</u></u>
Government-wide Statement of Net Assets Presentation:			
Unrestricted	\$	150,868	
Restricted		<u>1,906,714</u>	<u>2,057,582</u>
Statement of Fiduciary Net Assets			<u>223,469</u>
Total cash and equivalents		\$	<u><u>2,281,051</u></u>

## CHARTER TOWNSHIP OF BREITUNG

### NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005

#### **NOTE B – CASH AND EQUIVALENTS (continued)**

Cash and cash equivalents consist solely of checking and saving account deposits and certificate of deposits.

Michigan statutes authorize the Township to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

*Interest Rate Risk.* The Township carries no significant interest rate risk as all of its holdings are in bank accounts with a high degree of liquidity.

*Credit Risk.* State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations with a maximum maturity of 270 days.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure the Township's deposits may not be returned. At December 31, 2005, the Township held \$2,513,925 in deposits with financial institutions, in which \$2,013,128 was uninsured and uncollateralized. Although such deposits exceed federally insured limits, they are in the opinion of management, subject to minimal risk.

*Concentration of Credit Risk.* The Township has no significant concentration of credit risk due to the fact that its deposits are with area banks.

*Foreign Currency Risk.* The Township has no foreign currency risk as it has no deposits or investments in foreign currency.

All deposits for the Township are in accordance with statutory authority.

**CHARTER TOWNSHIP OF BREITUNG**

**NOTES TO BASIC FINANCIAL STATEMENTS**

December 31, 2005

**NOTE C – RESTRICTED CASH**

A summary of the Township's restricted cash at December 31, 2005 is as follows:

GENERAL FUND:

For building and grounds maintenance	\$ 21,201
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PERMANENT TRUST FUND:

Cemetery Perpetual Care:

For perpetual care of cemetery	<u>129,667</u>
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Total	<u><u>\$ 150,868</u></u>
-------	--------------------------

**NOTE D – PROPERTY TAXES**

Information regarding current year property taxes as follows:

Taxable valuation:

Regular	\$ 298,682,515
---------	----------------

Industrial facilities	789,500
-----------------------	---------

Millage rate:

Regular	4.20
---------	------

Industrial facilities	2.10
-----------------------	------

Total property taxes:

Regular	\$ 1,254,467
---------	--------------

Industrial facilities	1,658
-----------------------	-------

**CHARTER TOWNSHIP OF BREITUNG**

**NOTES TO BASIC FINANCIAL STATEMENTS**

December 31, 2005

**NOTE E – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2005, was as follows:

	Balance at 1/01/05	Additions	Disposals	Balance at 12/31/05
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 328,028	\$ 55,962	\$ -	\$ 383,990
Capital assets being depreciated:				
Land improvements	27,984	19,771	-	47,755
Buildings and improvements	1,803,185	13,450	-	1,816,635
Equipment and furniture	187,326	117,344	-	304,670
Vehicles	1,091,421	-	-	1,091,421
Total capital assets	3,437,944	206,527	-	3,644,471
Less accumulated depreciation:				
Land improvements	714	2,771	-	3,485
Buildings and improvements	301,177	43,347	-	344,524
Equipment and furniture	70,348	27,628	-	97,976
Vehicles	636,387	78,709	-	715,096
Total accumulated depreciation	1,008,626	152,455	-	1,161,081
Governmental activities capital assets, net	<u>\$ 2,429,318</u>	<u>\$ 54,072</u>	<u>\$ -</u>	<u>\$ 2,483,390</u>
	Balance at 1/01/05	Additions	Disposals	Balance at 12/31/05
Business-type activities:				
Capital assets being depreciated:				
Equipment	1,505	-	-	1,505
Vehicles	5,450	-	-	5,450
Infrastructure - water systems	2,086,975	-	200	2,086,775
Total capital assets	2,093,930	-	200	2,093,730
Less accumulated depreciation:				
Equipment	1,505	-	-	1,505
Vehicles	5,450	-	-	5,450
Infrastructure - water systems	606,972	31,169	200	637,941
Total accumulated depreciation	613,927	31,169	200	644,896
Business-type activities capital assets, net	<u>\$ 1,480,003</u>	<u>\$ (31,169)</u>	<u>\$ -</u>	<u>\$ 1,448,834</u>

# CHARTER TOWNSHIP OF BREITUNG

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005

### NOTE E – CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 13,754
Public safety	87,864
Parks and recreation	4,423
Health and welfare	<u>46,414</u>
Total governmental activities	
depreciation expense	<u>\$ 152,455</u>
Business-type activities:	
Water	<u>\$ 31,169</u>
Total business-type activities	
depreciation expense	<u>\$ 31,169</u>

### NOTE F – EMPLOYEE'S RETIREMENT PLAN

The Township administers a defined contribution plan with the John Hancock Life Insurance Company in accordance with the provisions of the John Hancock Defined Contribution Pension Plan for Government Employees.

Plan Description – Normal retirement age under the plan is age 65, or, if later, completion of 10 years of participation in the Plan. Early retirement is permitted at any time after attainment of age 55. Eligible employees in the Plan are all full-time employees working 40 hours per week, and must be at least the age of 18. Employer contributions are based on the number of years an employee is employed with the Township. 1-4 years of service requires an annual employer contribution of \$1,200, with an increase of \$300 for each additional 5 years of service, with a maximum of \$2,700 for 20 years and over of employment. The Township Clerk and Township requires an employer contribution of \$1,700 annually. Participants may make voluntary after-tax contributions, through payroll withholding, in amounts ranging from 1% to 10% of compensation. Benefits attributable to Employer contributions shall be 100% vested upon a Participant's death, disability, normal retirement or early retirement, or upon termination of the Plan. On termination of a Participant's service, other than because of death, disability, or normal retirement, such benefits shall vest 100% immediately. The investment of Plan assets is the responsibility of the participants.

**CHARTER TOWNSHIP OF BREITUNG**

**NOTES TO BASIC FINANCIAL STATEMENTS**

December 31, 2005

**NOTE F – EMPLOYEE’S RETIREMENT PLAN (continued)**

Township contribution for the year ended 12/31/05	\$	16,917
Employee contributions		0
Active members		10
Total annual payroll for active members	\$	373,529
Employer contribution as a percentage of payroll		4.53%
Plan assets at the most recent valuation date (12/30/05)	\$	311,520

**NOTE G – VESTED EMPLOYEE BENEFITS**

Substantially all of Township employees are entitled to certain vacation, sick pay benefits, and compensation time that accrue and vest based on employment agreements. Vacations not taken within the calendar year shall be forfeited unless permission is obtained from the Township Superintendent to schedule the vacation at a later date. Compensated absences in the amount of \$33,003 are reported under governmental activities in the Statement of Net Assets.

**NOTE H – LONG-TERM DEBT**

The following is a summary of changes in long-term debt for the year ended December 31, 2005:

Type of Debt	Balance @ 1/01/05	Additions	Deductions	Balance @ 12/31/05
<b>Governmental Activities:</b>				
Installment Purchase Agreement:				
DPW Building	\$ 363,315	\$ -	\$ 69,435	\$ 293,880
Compensated Absences	32,251	752	-	33,003
Total governmental long-term debt	<u>\$ 395,566</u>	<u>\$ 752</u>	<u>\$ 69,435</u>	<u>\$ 326,883</u>
<b>Business-type Activities:</b>				
Bonds Payable:				
Refinancing of 1996 Water Bonds:				
East Kingsford portion	404,447	-	30,566	373,881
Total business-type long-term debt	<u>\$ 404,447</u>	<u>\$ -</u>	<u>\$ 30,566</u>	<u>\$ 373,881</u>

**CHARTER TOWNSHIP OF BREITUNG**

**NOTES TO BASIC FINANCIAL STATEMENTS**

December 31, 2005

**NOTE H – LONG-TERM DEBT (continued)**

Debt service requirements on long-term debt at December 31, 2005 are as follows:

For the Year Ending December 31,	<b>Governmental Activities</b>	
	Installment Agreement	
	Principal	Interest
2006	\$ 72,715	\$ 12,140
2007	75,949	8,905
2008	79,328	5,526
2009	65,888	1,450
	<u>\$ 293,880</u>	<u>\$ 28,021</u>

  

For the Year Ending December 31,	<b>Business-Type Activities</b>	
	Bonds Payable	
	Principal	Interest
2006	31,833	11,166
2007	31,148	11,852
2008	29,109	13,891
2009	27,656	15,344
2010	27,890	15,110
2011-2015	167,472	47,528
2016-2017	58,773	3,159
	<u>\$ 373,881</u>	<u>\$ 118,050</u>

**Governmental Activities:**

As of December 31, 2005, the governmental activities long-term debt consisted of the following:

**Installment Purchase Agreement:**

The Township entered into an installment purchase agreement on November 8, 2002 with a principal amount of \$500,000, and an interest rate of 3.45% per annum until January 1, 2003, and thereafter at an interest rate of 4.40% per annum. Semi-annual principal and interest payments of \$42,427 are due January 31<sup>st</sup> and July 31<sup>st</sup> each year.



**CHARTER TOWNSHIP OF BREITUNG**

**NOTES TO BASIC FINANCIAL STATEMENTS**

December 31, 2005

**NOTE H – LONG-TERM DEBT (continued)**

**Business-type Activities:**

As of December 31, 2005, the long-term debt of business-type activities consists of the following:

Bonds Payable:

During the year ending December 31, 2004, the Township refinanced the bonds on the East Kingsford portion of the 1996 Water Supply System Revenue Bonds. Bonds were issued on June 29, 2004 for \$421,000 with a variable interest rate ranging from 3.0% to 6.0%, with a maturity date of January 29, 2017. Semi-annual principal and interest payments of \$21,500 are due June 29<sup>th</sup> and December 29<sup>th</sup> each year.

**NOTE I – INTERFUND TRANSFERS**

Interfund transfers for the year ended December 31, 2005 were as follows:

	Transfers In	Transfers Out
<u>Governmental Funds</u>		
Major Funds:		
General Fund	\$ 59,648	\$ 182,000
Non-Major Funds:		
Cemetery	30,216	-
Township Improvement Revolving	155,000	59,648
Cemetery Perpetual Care	-	3,216
Total Non-Major Funds	<u>185,216</u>	<u>62,864</u>
Totals	<u>\$ 244,864</u>	<u>\$ 244,864</u>

# CHARTER TOWNSHIP OF BREITUNG

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005

### NOTE J – RISK MANAGEMENT

The Township has obtained insurance from Burnham & Flower Insurance Group. The participating plan coverage areas, limits, and deductions for the coverage period January 1, 2006 through January 1, 2007 are as follows:

Coverage Area	Occurrence Limit	Deductibles
Property Damage Coverage	\$ 3,308,915	\$ 250
Liability Coverage	5,000,000	N/A
Wrongful Acts Liability Coverage	5,000,000	N/A
Law Enforcement Coverage	5,000,000	N/A
Crime Coverage	10,000	N/A
Automobile Liability Coverage:		
Bodily injury & property damage liability	5,000,000	500
Uninsured/underinsured motorists	100,000	N/A
Computerized Business Equipment:		
<i>(Underwritten through St. Paul Travelers)</i>		
Hardware Limit of Insurance	11,000	500
Software Limit of Insurance	4,500	500
Fire Department Specialized Equipment Coverage:		
<i>(Underwritten through St. Paul Travelers)</i>		
Fire Department Specialized Equipment	1,352,158	500
Municipal Coverage:		
<i>(Underwritten through St. Paul Travelers)</i>		
Municipal Equipment	204,096	500
Boiler & Machinery Coverage:		
<i>(Underwritten through Hartford Steam Boiler     Inspection and Insurance Company)</i>		
Equipment breakdown limit	1,182,000	500
Property damage	1,132,000	500
Public Official and Employee Bond Coverage:		
<i>(Underwritten through The Hartford)</i>		
Treasurer	100,000	N/A
Deputy Treasurer	25,000	N/A
Clerk	10,000	N/A
Deputy Clerk	10,000	N/A
Water Department Clerk	10,000	N/A
Supervisor	5,000	N/A

**CHARTER TOWNSHIP OF BREITUNG**

**NOTES TO BASIC FINANCIAL STATEMENTS**

December 31, 2005

**NOTE J – RISK MANAGEMENT (continued)**

At December 31, 2005, the Township had no outstanding claims, which exceeded the Plan's limits for the past three years and there were no significant reductions in insurance coverage from the prior year.

**NOTE K – CONTINGENT LIABILITIES**

The Township has received financial assistance from state agencies. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Township. However, in the opinion on management, any such disallowed claims will not have a material effect on any of the financial statements or on the overall financial position of the Township at December 31, 2005.

**CHARTER TOWNSHIP OF BREITUNG**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**

For the Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget-
	Original	Final	(See Note A)	Positive (Negative)
<b>REVENUES:</b>				
Federal sources	\$ -	\$ 90,287	\$ 104,838	\$ 14,551
State sources	409,499	416,806	411,996	(4,810)
Taxes	1,259,989	1,261,789	1,264,139	2,350
Charges for services	24,600	24,600	22,361	(2,239)
License and permits	20	20	17	(3)
Interest and rents	60,900	60,900	48,580	(12,320)
Other	-	2,963	13,794	10,831
Total revenues	\$ 1,755,008	\$ 1,857,365	\$ 1,865,725	\$ 8,360
<b>EXPENDITURES:</b>				
Legislative:				
Supervisor	\$ 10,678	\$ 10,640	\$ 10,368	\$ 272
Township board	60,870	40,820	35,407	5,413
General government:				
Superintendent	81,118	80,263	78,487	1,776
Treasurer	56,987	56,777	54,594	2,183
Clerk	52,500	52,290	51,359	931
Assessor	79,605	79,145	74,830	4,315
Planning commission	15,720	15,625	10,775	4,850
Board of review	3,075	3,030	1,828	1,202
Elections	4,472	4,455	1,296	3,159
Building and grounds	127,400	126,130	107,791	18,339
Public safety:				
Ordinance enforcement	128,987	129,107	134,123	(5,016)
Fire protection	175,640	298,157	287,024	11,133
Highway and transportation:				
Road construction	75,000	82,257	68,941	13,316
Health and welfare:				
Sanitation	233,815	233,610	240,646	(7,036)
Department of public works	66,890	66,575	64,369	2,206
Recreation and cultural:				
Parks and recreation	82,510	88,063	82,304	5,759
Other:				
Hospitalization	140,600	140,600	135,559	5,041
Worker's compensation	-	8,120	8,114	6
Insurance and bonds	60,000	60,000	61,214	(1,214)
Professional services	15,000	80,266	15,136	65,130
Audit fees	11,900	11,900	12,703	(803)
Legal fees	28,000	28,000	25,764	2,236
Computer services	11,230	11,230	10,063	1,167
Capital outlay	3,000	17,382	83,740	(66,358)
Retirement	17,000	17,000	16,917	83
Office supplies	8,900	8,900	8,133	767
Postage	9,200	9,200	8,455	745
Communication	11,400	11,400	13,386	(1,986)
Miscellaneous	-	23,966	23,978	(12)
Total expenditures	1,571,497	1,794,908	1,727,304	67,604
Excess revenues (expenditures)	183,511	62,457	138,421	75,964
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in:				
Township Improvement Revolving	-	59,648	59,648	-
Transfer out:				
Township Improvement Revolving	(155,000)	(155,000)	(155,000)	-
Cemetery	(27,000)	(27,000)	(27,000)	-
Total other financing sources (uses)	(182,000)	(122,352)	(122,352)	-
Net changes in fund balances	1,511	(59,895)	16,069	75,964
Fund balances - beginning	1,241,777	1,241,777	1,241,777	1,241,777
Fund balances - ending	\$ 1,243,288	\$ 1,181,882	\$ 1,257,846	\$ 1,317,741

**CHARTER TOWNSHIP OF BREITUNG**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2005**

	Special Revenue Funds				Permanent Fund		Total
	Cemetery	Liquor Law Enforcement	Township Improvement Revolving	Budget Stabilization	Cemetery Perpetual Care	Nonmajor Governmental Funds	
Cash and equivalents:							
Restricted	\$ -	\$ -	\$ -	\$ -	\$ 129,667	\$ 129,667	
Unrestricted	53,558	9,177	94,948	-	-	157,683	
Total assets	<u>\$ 53,558</u>	<u>\$ 9,177</u>	<u>\$ 94,948</u>	<u>\$ -</u>	<u>\$ 129,667</u>	<u>\$ 287,350</u>	
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 77	\$ -	\$ -	\$ -	\$ -	\$ 77	
Total liabilities	<u>77</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77</u>	
Fund balances:							
Reserved for:							
Cemetery perpetual care	-	-	-	-	129,667	129,667	
Unreserved	53,481	9,177	94,948	-	-	157,606	
Total fund balances	<u>53,481</u>	<u>9,177</u>	<u>94,948</u>	<u>-</u>	<u>129,667</u>	<u>287,273</u>	
Total liabilities and fund balances	<u>\$ 53,558</u>	<u>\$ 9,177</u>	<u>\$ 94,948</u>	<u>\$ -</u>	<u>\$ 129,667</u>	<u>\$ 287,350</u>	

See accompanying notes to the financial statements

**CHARTER TOWNSHIP OF BREITUNG**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2005**

	Special Revenue Funds			Permanent Fund	Total Nonmajor Governmental Funds
	Cemetery	Liquor Law Enforcement	Township Improvement Revolving	Cemetery Perpetual Care	
<b>REVENUES:</b>					
State sources	\$ -	\$ 1,359	\$ -	\$ -	\$ 1,359
Charges for services	23,225	-	-	2,375	25,600
Interest income	1,659	138	2,683	3,466	7,946
Miscellaneous	2,075	94	-	-	2,169
Total revenues	\$ 26,959	\$ 1,591	\$ 2,683	\$ 5,841	\$ 37,074
<b>EXPENDITURES:</b>					
Public safety	\$ -	\$ 2,200	\$ -	\$ -	\$ 2,200
Health and welfare	52,509	-	-	-	52,509
Capital outlay	5,389	-	-	-	5,389
Debt service:					
Principal	-	-	69,435	-	69,435
Interest and other charges	-	-	15,419	-	15,419
Total expenditures	57,898	2,200	84,854	-	144,952
Excess revenues (expenditures)	(30,939)	(609)	(82,171)	5,841	(107,878)
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	30,216	-	155,000	-	185,216
Transfers out	-	-	(59,648)	(3,216)	(62,864)
Total other financing sources (uses)	30,216	-	95,352	(3,216)	122,352
Net changes in fund balances	(723)	(609)	13,181	2,625	14,474
Fund balances - beginning	54,204	9,786	81,767	127,042	272,799
Fund balances - ending	\$ 53,481	\$ 9,177	\$ 94,948	\$ 129,667	\$ 287,273

See accompanying notes to the financial statements



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Members of the Township Board  
Charter Township of Breitung  
Dickinson County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Charter Township of Breitung, Dickinson County, Michigan as of and for the year ended December 31, 2005, which collectively comprise the Charter Township of Breitung's basic financial statements and have issued our report thereon dated March 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Charter Township of Breitung's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Members of the Township Board  
Charter Township of Breitung  
Dickinson County, Michigan

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Charter Township of Breitung's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company P.L.C.*

Anderson, Tackman & Company, PLC  
Certified Public Accountants

March 20, 2006



**CHARTER TOWNSHIP OF BREITUNG**  
**DICKINSON COUNTY, MICHIGAN**

**REPORT TO MANAGEMENT**

**Year Ended December 31, 2005**



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
Raymond B. LaMarche, CPA, Principal  
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA  
Lindsay J. Behrend, CPA  
Christina A. Smigowski, CPA

**REPORT TO MANAGEMENT**

Members of the Township Board  
Charter Township of Breitung  
Dickinson County, Michigan

We have audited the financial statements of the Charter Township of Breitung, Dickinson County, Michigan, for the year ended December 31, 2005, and have issued our reports thereon dated March 20, 2006. Professional standards require we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards**

As stated in our engagement letter dated March 13, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Charter Township of Breitung, Dickinson County, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Charter Township of Breitung's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

**Significant Accounting Policies**

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Charter Township of Breitung, Dickinson County, Michigan are described in Note A of the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2005. We noted no transactions entered into by the Charter Township of Breitung, Dickinson County, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the useful lives of property and equipment for the purpose of calculating depreciation.

### Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments may or may not indicate matters that could have a significant effect on the Charter Township of Breitung's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of these adjustments we proposed, whether recorded or unrecorded by the Charter Township of Breitung, either individually or in the aggregate, indicate matters that could have a significant effect on the Charter Township of Breitung's financial reporting process.

### Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements of the Charter Township of Breitung, Dickinson County, Michigan or a determination of the type auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Breitung Township auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Members of the Township Board  
Charter Township of Breitung  
Dickinson County, Michigan

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in the performance of our audit.

In planning and performing our audit of the financial statements of the Charter Township of Breitung, Dickinson County, Michigan, for the year ended December 31, 2005, we considered the Charter Township of Breitung, Dickinson County, Michigan's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit, we became aware of no material matters which we feel need to be addressed relating to opportunities for strengthening internal controls and operating efficiency.

This information is intended solely for the use of the Board of the Charter Township of Breitung and management of Breitung Township and is not intended to be and should not be used by anyone other than these specified parties.

*Andersey, Tackman & Company P.C.*

Certified Public Accountants

March 20, 2006